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IMPACT OF ECONOMIC CRISIS ON WOOD MARKETS (CONSUMPTION, PRODUCTION AND TRADE)

Lecturer Ph.D. **Maria-Loredana POPESCU**
Spiru Haret University, Romania
popesculrdn@yahoo.com

Lecturer Ph.D. **Antoniu PREDESCU**
Spiru Haret University, Romania
gen3pavo@yahoo.com

Associate Professor Ph.D. **Mihaela-Diana OANCEA-NEGESCU**
The Academy of Economic Studies, Bucharest, Romania
mnegescu@yahoo.com

Abstract:
Global economic crisis represents one of the causes why wood consumption is increasing especially in countries less developed. In countries where governments couldn't improve the quality of life and unemployment rate is higher, local communities devastate a lot of forestry. In last thirty years we saw a deforestation process at the global level related to land being converted to other uses: agriculture and urbanization, which represent a positive trend of a negative use. The statistics reveal, on one hand, an increasing demand for paper, paper products, wood products and wood energy. So this point is important to analyze: where wood came from and where it is going as either raw material or processed goods? For undeveloped countries, like Romania, it is easy to export primary wood product without evaluating the consequences. On the other hand, developed countries like Sweden export value added products which brig them higher value and profits and require greater manufacturing and marketing skills (case IKEA). For this, government policy could introduce trade barriers to decrease log *consumption (like export taxes) and* simultaneously *support furniture production and trade (e.g. export).*

Key words: wood, furniture, production, deforestation, taxation, crisis.

JEL classification: D24, F13, F53, O18, O53, P25.

INTRODUCTION

Wood markets – and this is a very *large* 'world', since it comprises production, consumption and trade of lumber *and* furniture of all imaginable types – have, in Romania, a rather tempestuous history, between 1990 and 2013. Events took a turn for the worse after 2008, when actual world economic crisis was felt, for the first time, in Romania, and even today there is, so to speak, water under the bridge. Nevertheless, it is truly important the impact of (actual) economic crisis on wood markets, on one side, and on *Romanian* wood market, on the other side, is surely not the first impact production, consumption and trade of lumber *and* furniture had to bear – at least in our country; but maybe, the last one.

PAPER AND TEXT FORMAT

In 1990 Romanian wood market had, for first time in over 45 years, to behave as if it *was*, indeed, a market economy – rather as a 'first-born' rather than as an adult one. From this perspective, if we consider Romanian economy 'prepared' itself, from 1990 until 2007, to bear the brunt of actual economic crisis, analyzing main characteristics of this 'preparation', or rather of this time frame, is a work which yields some important observations.

Firstly, it is worth mentioning the fact forests in Romania were, in the past twenty-three years, and still are, unfortunately, 'exploited' – in fact, savagely torn down. This extremely unfortunate, and of course illegal, phenomenon started from January 1st, 1990, and did not let down in a sensible amplitude ever since.

It is not to say only trees were chopped to bits in Romania, or that Romanian people had nothing to do with this. Mentalities being what they were, in January 1990 – and beyond –, mentalities, furthermore, and worse, being what they are even today, in 2013 (with a few exceptions), not only forests, but Romanian real economy itself began to shrink, in 1990, or more precise to be demolished, bit by bit.

Point is from 1990 onwards the trend to be recorded was that of a gradual reduction of exploitable wood mass, and in the same time of a gradual reduction of Romanian real economy. In what concerns Romanian wood market, it suffered on multiple levels: as real economy both declined in size and power ***and*** changed in structure and *goals*, number of economic agents working in wood market declined.

In addition, state-owned firms working in this field, that is *all* firms, became bankrupt; private-owned firms appeared fairly quickly, but they were small – and medium – size; as a result, as elsewhere, and in other times, a process of business concentration, as a large number of firms proved not able to earn for themselves – and real economy – a profit of sorts. This concentration had, on the other side, its counterpart: Romanian trade balance was affected, because of this dynamics.

Lumber production (i.e. softwood lumber) accounted, in Romania, last year (2012), for approximately 3.3 million cubic meters; this is an output smaller than the output corresponding with level of maximum capacity, but, in the same time, the result of most normal (in a sense) economic developments. One of the most important is the fact especially *after* 2007 prices of resources (gasoline, spare parts, etc.) rose, whilst utilities' costs did not remain constant – or idle.

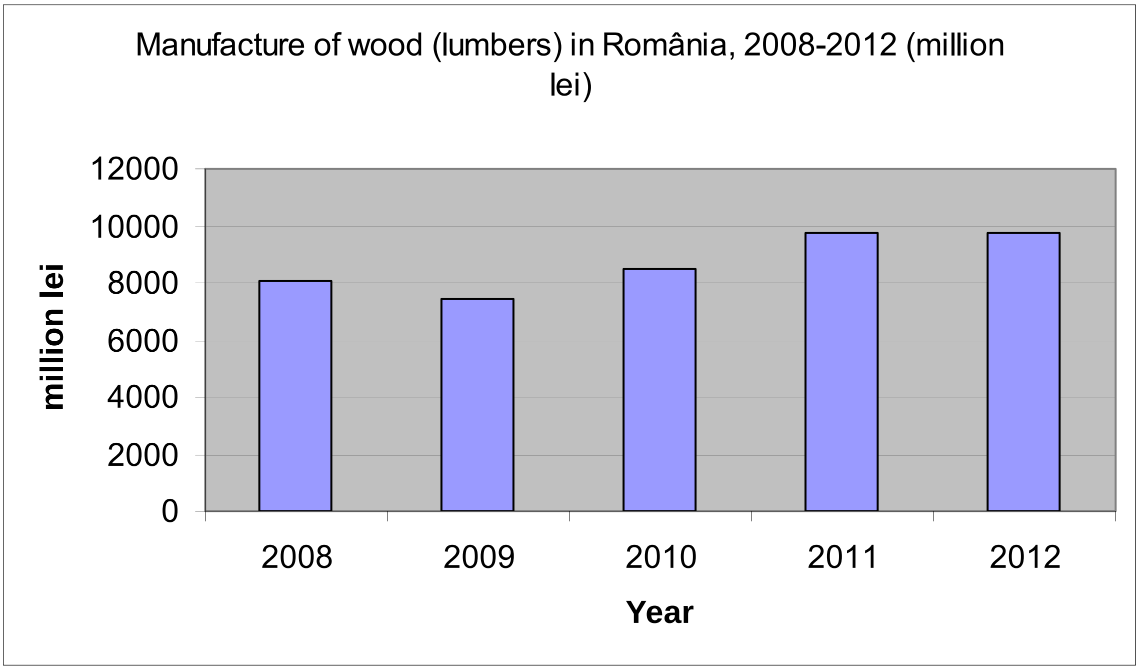
The values concerning lumber production, recorded between 2008 and 2012, are shown in the following table, in order to illustrate this dynamics:

Table 1. Manufacture of wood (lumbers) in Romania, 2008-2012

Year	2008	2009	2010	2011	2012
Manufacture of wood (lumbers) (million lei)	8053,6	7410,4	8479,2	9751,08	9720,8

Source: data (extracted from www.insse.ro) processed by authors

Using these values we are able to present the following graph, illustrating evolution of wood production in Romania, between 2008 and 2012:



Graph 1. Manufacture of wood (lumbers) in Romania, 2008-2012

In what furniture is concerned, another problem is average Romanian's purchasing power – and this is *not* a small issue, in spite of all (possible) apparent evidence to the contrary. Until 1990, in fact, until 1995-1996 purchasing power parity stood at a relatively high level; in other words, average Romanian was a relatively *rich* fellow, rich enough, in effect, to be able to buy pieces of furniture (far) larger than a chair and more expensive than a couple of chairs. In addition, liberalization occurred also for furniture prices, after 1997: this, in Romania, where 'liberalization' seems to mean, almost always, 'price increase'. Prices of furniture did increase, starting with 1998, up to 500%.

International competition, in what furniture is concerned, is particularly tough (i.e. IKEA, sqq.); so, if internal consumption of Romanian furniture dwindled, exports of Romanian furniture were, and still are, also in a sticky spot. For these reasons, it is no great surprise Romanian wood market comprises a relatively small furniture sector. And again, it cannot be surprising the picture is not brighter than it is nowadays, since Romanian state appears simply not willing to give its own economy a fighting chance, in this case some support (e.g. subsidies and so forth) for boosting both lumber and furniture production and – in Romania – furniture export.

For this matter, equilibrium was necessary, it was even unavoidable to occur and it did just that. Whereas a lot of trees are cut in Romania, as we have shown above, this is not to be transformed into furniture, at least not on Romanian soil. But, all resulting lumber production is sold as such on foreign markets. This is carried out in a successfully manner, so as to be able to obtain a reasonable lumber production even in times of economic and financial crisis (e.g. 2008-2013). The lumber is exported, to be sure, all over the world, that is not only in European Union, but also in China (relatively considerable quantities).

The amplitude of production of furniture, as this particular production was recorded between 2008 and 2012, is revealed in table below:

Table 2. Manufacture of furniture in Romania, 2008-2012

Year	2008	2009	2010	2011	2012
Manufacture of furniture (million lei)	6597,5	5721,9	5952,8	5821,8	5804,9

Source: data (extracted from www.insse.ro) processed by authors

Using these values we are able to present the following graph, illustrating evolution of wood production in Romania, between 2008 and 2012:

Graph 2. Manufacture of furniture in Romania, 2008-2012

If, therefore, to all intents and purposes, firms comprising Romanian wood market did relatively well, in the past 23 years, this is mainly the resultant of good business strategy, on one hand, and of favorable internal and external circumstances, on the other hand.

CONCLUSION

In last years, it is noticeable worldwide an abrupt increase in phenomenon of deforestation, but especially in less developed countries – due to impact of increased poverty and economic turmoil, illegal logging and, last but no least, urbanization. This effect – deforestation – is felt, though, as we have said, in developed countries too, but with different causes, among which we can pinpoint an ever-increasing demand for both wood (and wood products) and paper (and paper products).

From this point of view, Romania's wood market seems, at least, not to have grown to its full (real) potential, but this tends to be a global issue. That is, all over the world there are moments – if not periods – when (aggregate) wood and furniture supply is smaller than (aggregate) wood and furniture demand. There are many a cause behind this situation. On one hand, economic crisis hit hard both producers and consumers; on the other hand, local communities were hit no less hard, by the same crisis and also by side effects of deforestation.

A market, in this case a wood market, is as powerful as it 'wants' to, that is, as economic processes carried out inside it are ever more productive, efficient and focused on obtaining highly processed goods. Romanian wood market is, unfortunately, focused on lumber production, with some rather typical downturns: Romania exports lumber and imports furniture *and* paper. All in all, our wood paper is hardly susceptible to being able to expand itself, or simply to bear the brunt of another crisis, should it emerge.

Regarding the world, China emerged, for some years now, as a great player on world (wood and furniture) stage (e.g. largest round wood importer and largest secondary-processed products exporter). And, still, trade barriers (export taxes, etc.) make havoc on all wood markets, above all on their (financial) *efficiency*.

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